



19 JUL 1976

MEMORANDUM FOR: Deputy Director for Administration

FROM : James H. McDonald  
Director of Logistics

SUBJECT : Office of Communications' Automated Communications Terminal - Program Evaluation

REFERENCES : (a) Memo dtd 8 July 75 to D/OC fm ADD/A,  
subject: Program Evaluation

(b) Memo dtd 23 Mar 76 to ADD/A fm AD/OC,  
subject: Program Evaluation

1. As requested by the Associate Deputy Director for Administration (A-DD/A), constructive comments based on our review of the Office of Communications' (OC) program evaluation of the Automated Communications Terminal (ACT) system follow. These comments are addressed primarily to the procurement aspects.

2. In the Executive Summary of the OC program, herein-after called the PE, it was stated:

"A substantial number of problems did develop during the program and are attributed to several factors:

a. The contractor's inexperience in communications-oriented systems;

b. The contractor's decision during the program to discontinue further efforts in computer-based systems development;

c. The lack of adequate definition in the specification of all functional requirements.

While the net result of the ACT program was considered to be beneficial, a number of recommendations were made that might enhance similar efforts in the future. These include:

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more careful scrutiny of prospective contractors and the establishment of standardized, legally-based proposal evaluation criteria that would more critically evaluate contractors' capabilities; consideration of incentive award type of contracts for programs of this magnitude; inclusion of penalties to cover additional costs to the Government if specified contractor support is not provided; and minimizing hardware specifications to those absolutely essential to maximize bidder latitude in system design."

Part 7 of the PE entitled "Recommendations" listed nine specific recommendations which OC indicated might enhance future efforts on programs of the magnitude of the ACT. We generally concur with OC recommendations but believe some additional remarks should be made.

3. An analysis of the nine recommendations indicates that they basically reiterate the procurement essentials listed in the provisions of ASPR, Section III, entitled "Procurement by Negotiation"; and a large number of successful Agency procurement awards have been made under these provisions. Implementation by the Contracting Officer of these principles of negotiation is no guarantee that problems will not occur. On the other hand, the diligent and thorough application of the ASPR, Section III principles will usually minimize the magnitude and number of problems encountered.

4. In the instant case, the PE states, "The basic reason for the many difficulties encountered was that [REDACTED] was primarily experienced in computer-based information systems and not communications." Initially, the ACT evaluation team selected [REDACTED] for its technical superiority; it is a company noted for its expertise in the communications field. [REDACTED] was eliminated based on technical inferiority and high cost. However, without solicitation, [REDACTED] subsequently offered a three-computer option and submitted three separate price reductions putting them in the "low bidder" category; and, as a result of these actions, they were awarded the contract. The question is raised, then, as to why the other two bidders were not also given an opportunity to submit additional "best offers." Without this equivalency of opportunity, it appears that [REDACTED] was given an unfair advantage.

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5. Inasmuch as technical considerations were of the highest significance, it appears that ample justification and authority existed for nonselection of [REDACTED] based on lack of technical expertise in familiarity with the field of communications; and the technical problems described in the PE appear to have corroborated the team's earlier decision to eliminate [REDACTED]. This certainly would have been the case if the Contracting Officer had not exercised considerable discretion by accepting for consideration the late proposals by [REDACTED]. In cases such as this one, where specifications can be defined sufficiently well to execute a fixed price form of contract, good procurement practice would favor award to the lowest bidder who is both responsive and responsible; however, considerable latitude is always existent in negotiated procurement actions. Pertinent Comptroller General decisions exist wherein it was ruled as follows:

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a. "Obtaining the best qualified contractor was just as important as obtaining a low price."

b. "A negotiated procurement does not require award to the lowest bidder but permits consideration of other factors in making an award."

c. "An agency is authorized, in its discretion, to rely upon factors other than price in making an award."

d. "While our Office has held that a proposal must be considered to be within a competitive range so as to require negotiations unless it is so technically inferior or out of line with regard to price that meaningful negotiations are precluded, we have also recognized that the determination of competitive range, particularly as regards technical considerations, is primarily a matter of administrative discretion which will not be disturbed in the absence of a clear showing that such determination was an arbitrary abuse of discretion."

6. One recommendation made by OC seems to have no practical solution. The recommendation is: "Incorporating penalties into the contract for added costs to the Government if the contractor does not provide specified ongoing support (e. g., warranty,

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maintenance, future hardware expansion capability)." Special warranty provisions are generally prohibitive in terms of cost. Requirements for maintenance and future hardware expansion capabilities must be provided for in a particular contract to be enforceable. This could be done in terms of options for future requirements; but in a practical sense, contractors are not going to guarantee a product line unless there is some reasonable likelihood of sufficient future business to realize a reasonable profit.

7. Another OC recommendation was: "Ensuring, to the extent possible, that Government personnel remain assigned to those large programs throughout the procurement cycle to maintain contract continuity." "To the extent possible" is the key phrase in the recommendation; assuming its application to procurement officers, we would simply say that the Office of Logistics' policy gives this point considerable weight in its planning for the utilization of human resources. To the greatest possible extent, assignments are made consistent with the overall best interests of the Office of Logistics, the Agency, and the individual officers involved.

/s/ James H. McDonald  
James H. McDonald

Att  
References

Orig - D/CO  
+ DDA Subj. w/background

## ROUTING AND RECORD SHEET

Approved For Release 2001/03/03 : CIA-RDP79-00498A000200040002-3

SUBJECT: (Optional)

FROM: Director of Logistics STATINT 2C02 [REDACTED] Bldg.		EXTENSION 8-8200	NO. DATE 19 JUL 1976
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS
	RECEIVED	FORWARDED	
1. DD/A 7D18 Hqs.	20 JUL 1976		DD/A Registry File <u>Commo-5</u>  2-4 FYI  STATINTL
2. ADDA	22 JUL 1976		
3. DDA			
4. D/Commo			
5. 2A03 [REDACTED]			
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